

the plan year preceding the premium payment year.

(d) *Special determination date rule for new and newly-covered plans.* In the case of a new plan or a newly-covered plan, all references in §§ 4006.3, 4006.4, and paragraphs (a) and (b) of this section to the last day of the plan year preceding the premium payment year shall be deemed to refer to the first day of the premium payment year or, if later, the date on which the plan became effective for benefit accruals for future service, and for purposes of determining the plan's premium, the number of plan participants, and (for a single-employer plan) the amount of the plan's unfunded vested benefits and the applicability of any exemption or special rule under paragraph (a) or (b) of this section, shall be determined as of such first day or later date.

(e) *Special determination date rule for certain mergers and spinoffs.* (1) With respect to a plan described in paragraph (e)(2) of this section, all references in §§ 4006.3, 4006.4, and this section, as applicable, to the last day of the plan year preceding the premium payment year shall be deemed to refer to the first day of the premium payment year.

(2) A plan is described in this paragraph (e)(2) if—

(i) The plan engages in a merger or spinoff that is not *de minimis* pursuant to the regulations under section 414(l) of the Code (in the case of single-employer plans) or pursuant to part 4231 of this chapter (in the case of multiemployer plans), as applicable;

(ii) The merger or spinoff is effective on the first day of the plan's premium payment year; and

(iii) The plan is the transferee plan in the case of a merger or the transferor plan in the case of a spinoff.

(f) *Proration for certain short plan years.* The premium for a plan that has a short plan year as described in this paragraph (f) is prorated by the number of months in the short plan year (treating a part of a month as a month). The proration applies whether or not the short plan year ends by the premium due date for the short plan year. For purposes of this paragraph (f), there is a short plan year in the following circumstances:

(1) *New plan.* A new or newly-covered plan becomes effective for premium purposes on a date other than the first day of its first plan year.

(2) *Change in plan year.* A plan amendment changes the plan year, but only if the plan does not merge into or consolidate with another plan or otherwise cease its independent existence either during the short plan year or at the beginning of the full plan year following the short plan year.

(3) *Distribution of assets.* The plan's assets (other than any excess assets) are distributed pursuant to the plan's termination.

(4) *Appointment of trustee.* The plan is a single-employer plan, and a plan trustee is appointed pursuant to section 4042 of ERISA.

[61 FR 34016, July 1, 1996, as amended at 62 FR 60428, Nov. 7, 1997; 65 FR 75163, Dec. 1, 2000]

#### § 4006.6 Definition of “participant.”

(a) *General rule.* For purposes of this part and part 4007 of this chapter, an individual is considered to be a participant in a plan on any date if the plan has benefit liabilities with respect to the individual on that date.

(b) *Loss or distribution of benefit.* For purposes of this section, an individual is treated as no longer being a participant—

(1) In the case of an individual with no vested accrued benefit, after—

(i) The individual incurs a one-year break in service under the terms of the plan,

(ii) The individual's entire “zero-dollar” vested accrued benefit is deemed distributed under the terms of the plan, or

(iii) The individual dies; and

(2) In the case of a living individual whose accrued benefit is fully or partially vested, or a deceased individual whose accrued benefit was fully or partially vested at the time of death, after—

(i) An insurer makes an irrevocable commitment to pay all benefit liabilities with respect to the individual, or

(ii) All benefit liabilities with respect to the individual are otherwise distributed.

## Pension Benefit Guaranty Corporation

## § 4007.2

(c) *Examples.* The operation of this section is illustrated by the following examples:

*Example 1.* Participation under a calendar-year plan begins upon commencement of employment, and the only benefit provided by the plan is an accrued benefit (expressed as a life annuity beginning at age 65) of \$30 per month times full years of service. The plan credits a ratable portion of a full year of service for service of at least 1,000 hours but less than 2,000 hours in a service computation period that begins on the date when the participant commences employment and each anniversary of that date. John and Mary both commence employment on July 1, 2000. On December 31, 2000 (the snapshot date for the plan's 2001 premium), John has credit for 988 hours of service and Mary has credit for 1,006 hours of service. For purposes of this section, Mary is considered to have an accrued benefit, and John is considered not to have an accrued benefit. Thus, the plan is considered to have benefit liabilities with respect to Mary, but not John, on December 31, 2000; and Mary, but not John, must be counted as a participant for purposes of computing the plan's 2001 premium.

*Example 2.* The plan also provides that a participant becomes vested five years after commencing employment and defines a one-year break in service as a service computation period in which less than 500 hours of service is performed. On February 1, 2002, John has an accrued benefit of \$18 per month beginning at age 65 based on credit for 1,200 hours of service in the service computation period that began July 1, 2000. However, John has credit for only 492 hours of service in the service computation period that began July 1, 2001. On February 1, 2002, John terminates his employment. On December 31, 2002 (the snapshot date for the 2003 premium), John has incurred a one-year break in service, and thus is not counted as a participant for purposes of computing the plan's 2003 premium.

*Example 3.* On January 1, 2004, the plan is amended to provide that if a vested participant whose accrued benefit has a present value of \$5,000 or less leaves employment, the benefit will be immediately cashed out. On December 30, 2005, Jane, who has a vested benefit with a present value of less than \$5,000, leaves employment. Because of reasonable administrative delay in determining the amount of the benefit to be paid, the plan does not pay Jane the value of her benefit until January 9, 2006. Under the provisions of this section, Jane is treated as not having an accrued benefit on December 31, 2005 (the snapshot date for the 2006 premium), because Jane's benefit is treated as having been paid on December 30, 2005. Thus, Jane is not counted as a participant for purposes of computing the plan's 2006 premium.

*Example 4.* If the plan amendment had instead provided for cashouts as of the first of the month following termination of employment, and the plan paid Jane the value of her benefit on January 1, 2006, Jane would be treated under the provisions of this section as having an accrued benefit on December 31, 2005, and would thus be counted as a participant for purposes of computing the plan's 2006 premium.

[65 FR 75163, Dec. 1, 2000]

## PART 4007—PAYMENT OF PREMIUMS

Sec.

- 4007.1 Purpose and scope.
- 4007.2 Definitions.
- 4007.3 Filing requirement and forms.
- 4007.4 Filing address.
- 4007.5 Date of filing.
- 4007.6 Computation of time.
- 4007.7 Late payment interest charges.
- 4007.8 Late payment penalty charges.
- 4007.9 Coverage for guaranteed basic benefits.
- 4007.10 Recordkeeping; audits; disclosure of information.
- 4007.11 Due dates.
- 4007.12 Liability for single-employer premiums.

AUTHORITY: 29 U.S.C. 1302(b)(3), 1303(a), 1306, 1307.

SOURCE: 61 FR 34020, July 1, 1996, unless otherwise noted.

### § 4007.1 Purpose and scope.

This part, which applies to all plans that are covered by title IV of ERISA, provides procedures for paying the premiums imposed by sections 4006 and 4007 of ERISA. (See part 4006 of this chapter for premium rates and computational rules.)

### § 4007.2 Definitions.

(a) The following terms are defined in § 4001.2 of this chapter: Code, contributing sponsor, ERISA, insurer, IRS, multiemployer plan, notice of intent to terminate, PBGC, plan, plan administrator, plan year, and single-employer plan.

(b) For purposes of this part, the following terms are defined in § 4006.2 of this chapter: new plan, newly covered plan, participant, premium payment year, and short plan year.